ONAWAY AREA AMBULANCE SERVICE ONAWAY, MICHIGAN

Financial Statements For the Year Ended March 31, 2004

Prepared By:Richard E. Mahlmeister, C.P.A., P.C. 580 South Nicolet, P.O.Box 996 Mackinaw City, MI 49701

Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

	P.A. 2 of 196 nment Type Town		Village ✓ Other	Local Governme Onaway A	nt Name rea Ambulance Service		County Presqu	e Isle
dit Date /31/04	Town	3111P	Opinion Date 6/2/04		Date Accountant Report Submitted 6/15/04	to State:		
e have	a with the	Stater	al statements of the	nmental Accou	government and rendered ar inting Standards Board (GA nt in Michigan by the Michiga	(OD) and the	, 0,,,,0,,,,	ments prepared porting Format
e affirm	that:						DEPT. OF	TREASURY
We h	ave compl	ed with	the Bulletin for the A	udits of Local U	Inits of Government in Michig	gan as revise	^{d.} JUN 2	9 2004
			accountants registere					
e furthe	r affirm the s and reco	followir mmenda	ng. "Yes" responses ations	have been disc	closed in the financial statem	ents, includi <u>h</u>	bulle in a test, To	Sinf Man Report vo
u must	check the		ole box for each item					
Yes	✓ No	1. Cei	rtain component unit	s/funds/agencie	es of the local unit are exclud	led from the f	inancial state	ments.
Yes	✓ No		ere are accumulated of 1980).	d deficits in one	e or more of this unit's unre	served fund l	oalances/retai	ned earnings (I
Yes	Yes No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, amended).							
Yes	✓ No	4. The	e local unit has vio	lated the cond der issued unde	litions of either an order is: or the Emergency Municipal L	sued under t .oan Act.	he Municipal	Finance Act o
Yes	✓ No	 The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 194 as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). 						
Yes	✓ No	6. Th	e local unit has beer	n delinquent in o	distributing tax revenues that	were collecte	ed for another	taxing unit.
Yes	✓ No	7 ne	nsion benefits (norn	nal costs) in the	stitutional requirement (Article current year. If the plan is requirement, no contribution	more than 1	00% tunded a	and the overtur
Yes	✓ No		ne local unit uses c ICL 129.241).	redit cards and	I has not adopted an applic	cable policy a	as required by	P.A. 266 of
Yes	✓ No	9. Th	ne local unit has not	adopted an inve	estment policy as required by	P.A. 196 of	1997 (MCL 12	9.95).
We hav	e enclose	d the fo	llowing:			Enclosed	To Be Forwarde	Not d Require
			d recommendations			•		
Reports	on individ	ual fede	ral financial assistar	ice programs (p	program audits).			~
Single A	Audit Repo	rts (ASL	GU).					/
Certified I	Public Accou	ntant (Firm	Name)					
Richa Street Ad	rd E. Ma	hlmeis	ter, CPA, PC	11	City Mackinaw Ci	tv	State MI	ZIP. 49701
	. IICOIET	Street	P.O. Box 996	// //	A //		Date 6/2/04	

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Member:

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

June 2, 2004

Members of the Board Onaway Area Ambulance Service Onaway, Michigan

I have audited the accompanying general purpose financial statements of the *Onaway Area Ambulance Service*, *Onaway*, *Michigan*, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the *Onaway Area Ambulance Service's* management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the *Onaway Area Ambulance Service*, *Onaway*, *Michigan* as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Richard E. Mahlmeister. C.P.A.

ONAWAY AREA AMBULANCE SERVICE COMBINED BALANCE SHEET - GENERAL FUND AND ACCOUNT GROUPS MARCH 31, 2004

		ACCOUNT	GROUPS
ASSETS	GENERAL FUND	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT
Cash and cash equivalents	\$179,114	\$ -	\$ -
Investments	8,709	_	-
Accounts receivable	70,142	-	-
Due from other governmental units	1,064	-	-
Fixed assets	-	283,386	-
Amount to be provided for retirement of general long - term debt		-	43,551
TOTAL ASSETS	\$259,029	\$283,386	\$43,551
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
Accounts payable and accrued expenses Notes payable	\$6,233	\$ - -	\$ - 43,551
TOTAL LIABILITIES	6,233		43,551
FUND EQUITY			
Investment in fixed assets	_	283,386	_
Fund balance:			
Unreserved:			
Designated for subsequent years'			
expenditures	37,788	-	-
Undesignated	215,008	-	_
TOTAL FUND EQUITY	252,796	283,386	-
TOTAL LIABILITIES			
AND FUND EQUITY	\$259,029	\$283,386	\$43,551

See Accompanying Notes.

TOTAL (MEMORANDUM ONLY) \$179,114 8,709 70,142 1,064 283,386 43,551 \$585,966 \$6,233 43,551 49,784 283,386 37,788 215,008

536,182

\$585,966

ONAWAY AREA AMBULANCE SERVICE GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED MARCH 31, 2004

REVENUES	
Contributions from local units	\$94,382
Charges for services - sales	176,339
Charges for services - subscriptions	41,960
Interest	2,142
Contributions and donations from private sources	1,800
Other	1,156
TOTAL REVENUES	317,779
EXPENDITURES	
Current:	
Health and welfare:	
Salaries, wages and benefits	209,654
Communications	2,297
Transportation	5,986
Education and training	2,030
Promotion	1,026
Professional services	2,400
Repairs and maintenance	8,737
Supplies - medical	9,643
Supplies - office	1,539
Supplies - other	3,341
Utilities	4,227
Insurance	6,900
Other	4,994
Capital Outlay	7,181
Debt service:	
principal	22,888
interest	4,177
TOTAL EXPENDITURES	297,020
REVENUES OVER EXPENDITURES	20,759
FUND BALANCE, BEGINNING OF YEAR	232,037
FUND BALANCE, END OF YEAR	\$252,796

See Accompanying Notes.

ONAWAY AREA AMBULANCE SERVICE GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			(CIVITY ORTIBEE)
Contributions from local units	\$94,382	\$94,382	\$ -
Charges for services - sales	181,000	176,339	(4,661)
Charges for services - subscriptions	41,000	41,960	960
Interest	2,000	2,142	142
Contributions and donations from private sources	, -	1,800	1,800
Other	-	1,156	1,156
TOTAL REVENUES	318,382	317,779	(603)
EXPENDITURES			
Current:			
Health and welfare	310,800	262,774	48,026
Capital Outlay	10,000	7,181	2,819
Debt service:	,	,	_,
principal	23,000	22,888	112
interest	4,582	4,177	405
TOTAL EXPENDITURES	348,382	297,020	51,362
REVENUES OVER EXPENDITURES	(30,000)	20,759	50,759
FUND BALANCE, BEGINNING OF YEAR	232,037	232,037	-
FUND BALANCE, END OF YEAR	\$202,037	\$252,796	\$50,759

See Accompanying Notes.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Onaway Area Ambulance Service is a joint venture organized to provide ambulance service throughout the Onaway, Michigan area, pursuant to Michigan P.A. 7, Section 10, Paragraph (2), 1967, serving the City of Onaway, the Hillman Fire and Ambulance Board (serving the Village of Hillman and the townships of Rust and Montmorency) the Townships of Allis, Bearinger, Case, Forest, North Allis, Ocqueoc, and Waverly.

The accounting policies of the Onaway Area Ambulance Service conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

THE REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Onaway Area Ambulance Service and any component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based on the foregoing criteria, the Onaway Area Ambulance Service has determined that no entities should be consolidated into its general purpose financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

FUND ACCOUNTING

The accounts of the Onaway Area Ambulance Service are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped by type in the financial statements. The following fund type and account groups are utilized by the Onaway Area Ambulance Service:

(Continued)

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUNDS:

General Fund

The General Fund is the general operating fund of the Onaway Area Ambulance Service. It is used to account for all financial resources except those required to be accounted for in another fund.

ACCOUNT GROUPS

General Fixed Assets Account Group

This account group presents the fixed assets of the Onaway Area Ambulance Service utilized in its general operations (non-proprietary fixed assets). Capital assets are expensed as acquired; consequently, no depreciation is recorded.

General Long-Term Debt Account Group

This account group presents the balance of general obligation long-term debt which is not recorded in proprietary or trust funds.

TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Governmental Fund is accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recorded when due.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING (CONTINUED)

All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) as net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

BUDGETS AND BUDGETARY BASIS OF ACCOUNTING

Comparisons to budget are presented for General Fund as required by generally accepted accounting principles. An operating budget is adopted each fiscal year for the General Fund on the same basis of accounting as the financial statements are presented. The Onaway Area Ambulance Service follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the beginning of the fiscal year, the Secretary submits to the Onaway Area Ambulance Service Board a proposed operating budget for the fiscal year commencing on April 1.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Onaway Area Ambulance Service Board.

The Onaway Area Ambulance Service's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded, is not employed by the Onaway Area Ambulance Service because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

INVESTMENTS

Investments are stated at cost and consist of certificates of deposit with maturity values of three months or longer.

RECEIVABLES

Receivables are reported at gross value or net of a valuation allowance, if applicable

FIXED ASSETS AND LONG-TERM OBLIGATIONS

Fixed assets used in the general operation of the Onaway Area Ambulance Service are recorded as expenditures when purchased and are accounted for in the General Fixed Assets Account Group. No depreciation is recorded for these general fixed assets. General fixed assets are acquired by purchase and donation and are recorded at cost, or estimated cost if the actual cost is not known or available.

Long-term obligations that arise from transactions in governmental fund types are reported in the general long-term debt account group.

RESERVES

Reserves represent those amounts which are legally, contractually, or otherwise segregated for future use.

VACATION AND SICK LEAVE

There is no accumulated vacation or sick leave to be recognized.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

The caption on the combined balance sheet relating to cash, cash equivalents and investments represent deposits in one financial institution located in Cheboygan County in varying amounts as follows:

Cash and cash equivalents	\$179,114
Investments	8,709
	\$187,823

At year-end the carrying amount of cash and cash equivalents were classified as to risk as follows:

	Carrying Amount	Bank Balance
Insured (FDIC) Uninsured – uncollateralized	\$120,685 67,138	\$123,710 66,938
	\$187,823	\$190,648

For the year ended March 31, 2004, certificates of deposit of \$8,709, with original maturity of greater than 90 days are recorded in the financial statements as investments. All accounts are in the name of the Onaway Area Ambulance Service. They are recorded in the records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

Michigan Compiled Laws, Section 129.91 authorizes units of local governments to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NOTES TO FINANCIAL STATEMENTS

NOTE 3: PROPERTY AND EQUIPMENT - GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance			Balance
	April 1, 2003	Additions	Deletions	March 31, 2004
Land and				
Building	\$103,107	\$ -	\$ -	\$103,107
Land and building -				
Improvements	9,379	3,333	-	12,712
Equipment	48,246	3,848	-	52,094
Vehicles	115,473	<u>-</u>		115,473
Total	\$276,205	\$7,181	\$ -	\$283,386

NOTE 4: LONG-TERM DEBT

A summary of long-term obligations and transactions related thereto for the year then ended as follows:

	Balance			Balance
	April 1, 2003	Additions	Deletions	March 31, 2004
Note payable – Land and Building, monthly payments of \$1,132, including interest At 5.75%.	\$31,476	\$ -	\$12,082	\$19,394
Capital lease (See Note 5)	34,963		10,806	24,157
	\$66,439	<u> </u>	\$22,888	\$43,551

The annual requirements for five years ending March 31, 2004 and thereafter, including \$3,702 in interest, are as follows:

Year EndedMarch 31.	
2005 2006	\$27.065 820.188
Total	\$47.253

NOTES TO FINANCIAL STATEMENTS

NOTE 5: LEASE

The Onaway Area Ambulance Service has a vehicle lease with Allied Capital, Inc. which meets the criteria for capitalization under generally accepted accounting principles. The present value of the minimum lease payments of \$45,000 was capitalized at the inception of the lease using a 7.66% interest rate. The lease is payable in four annual installments of \$13,483, which began April 10, 2002.

The vehicle leased, in the amount of \$65,610, is included in the general fixed assets at March 31, 2004.

The following is a schedule by years of future minimum lease payments required under the capital lease at March 31, 2004:

Year Ended March 31,	Amount
2005 2006	\$13,483 13,483
Total minimum payments due	26,966
Less amounts representing interest	_2,809
Present value of net minimum lease payments	<u>\$24,157</u>

The capital lease obligation is included with long-term debt on the accompanying schedule of long-term debt at Note 4.

NOTE 6: AMBULANCE SERVICE

The Onaway Area Ambulance Service was established by the nine governmental units described in Note 1. Each governmental unit provides one representative to the board. The expenses involved in overall operations of the ambulance service are split equally between the nine units, and the expenses associated with ambulance runs within a governmental jurisdiction are absorbed by that governmental unit.

NOTE 7: COMBINING FUND FINANCIAL STATEMENTS

Only one individual fund exists within the governmental fund and account groups. Therefore, combining fund financial statements are not presented.

NOTES TO FINANCIAL STATEMENTS

NOTE 8: RISK MANAGEMENT

The Onaway Area Ambulance Service participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Onaway Area Ambulance Service. The Onaway Area Ambulance Service pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for property of \$140,000, general liability of \$7,000,000, wrongful acts of \$6,000,000, automobile of \$5,000,000, crime of \$10,000, inland marine liability of \$32,500 and bonding for public officials errors and omissions. Additionally, the Onaway Area Ambulance Service has purchased commercial insurance for workmans compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.



Member:

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

June 2, 2004

Members of the Board Onaway Area Ambulance Service Onaway, Michigan

In planning and performing my audit of the general purpose financial statements of *Onaway Area Ambulance Service*, *Onaway*, *Michigan*, for the year ended March 31, 2004, I considered the Onaway Area Ambulance Service's internal control structure to plan my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I noted certain matters involving the internal control structure and other operational matters, presented for your consideration, that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated June 2, 2004 on the financial statements of the *Onaway Area Ambulance Service, Onaway, Michigan*.

Thank you for the opportunity to serve the *Onaway Area Ambulance Service*. I, again, especially want to thank John Dunbar and Sally Grainger for their assistance. Best wishes in the next year.

Richard E. Mahlmeister, C.P.A.

Onaway Area Ambulance Service Comments & Suggestions June 2, 2004 Page 2 (two)

REPORTABLE CONDITION

Reportable conditions involve matters coming to my intention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect the Onaway Area Ambulance Service's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable condition that exists is that there is a lack of segregation of duties in both the receipting and disbursement function of the Onaway Area Ambulance Service. This condition is generally inherent in organizations the size of the Onaway Area Ambulance Service, where corrective action is not practical, and is not considered to be a material weakness.

UPCOMING FINANCIAL REPORTING CHANGES

In 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, the most significant change in the history of government financial reporting. These new requirements for the annual financial reports of state and local governments become effective for the Onaway Area Ambulance Service for the year ended March 31, 2005 and will take time to implement.

As the effective date will be next year (March 31, 2005), I would be pleased to explain these changes and what they mean for the Onaway Area Ambulance Service as well as assist in implementing this new standard.